



NEWS RELEASE

CALIFORNIA STATE TREASURER PHILIP ANGELIDES

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STATE TREASURER AND ATTORNEY GENERAL GO BACK TO COURT AGAINST SAN BERNARDINO GOLF COURSE BOND ISSUE

SACRAMENTO, CA – State Treasurer Philip Angelides and Attorney General Bill Lockyer have renewed their legal challenge to a questionable bond deal that seeks to use a Northern California public agency to issue bonds that would finance a golf course and development over 300 miles away in San Bernardino County.

The Treasurer and Attorney General filed suit May 26 to stop developers who are attempting to revive the golf course project with a new \$22.5 million bond issue by the Desert Tortoise Public Financing Authority, formerly the Rancho Lucerne Public Financing Authority.

“Our action on this front continues to send an important signal to the financial markets that sound investment practices will not be undermined in California,” said State Treasurer Philip Angelides. “We will not allow abuses of the law that shake the confidence of investors and hurt the ability of California communities to finance important local school and transportation projects.”

“While local governments need flexibility to finance important public projects, we simply cannot allow businesses to abuse the state’s bond law,” said Lockyer. “By filing this validation action, we intend to protect investors from those who would illegally use tax-exempt bonds for their own private gain.”

Existing California law requires that there be a geographic nexus between the agencies issuing bonds and the project being financed. In an attempt to circumvent the law, the golf course developer is using a non-profit corporation (Legends Golf Course Community Association) to issue bonds on behalf of a Public Financing Authority in which the only governmental entity member is the City of Waterford, which is located in Stanislaus County (over 300 miles away from the development).

Since 1996, there have been seven different bond issuances, totaling over \$62 million, associated with the Desert Tortoise/Rancho Lucerne Golf course development. These bonds were to be repaid from fees obtained by the developer. However, to date, none of the bonds have been repaid from such fees. Instead, they have been repaid from ever increasing amounts of debt issuance.

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